WILLIAM WYNN
President
United Food and Commercial
Workers International Union
(AFL-CIO)

"At the same time, past vehicles to aid structurally unemployed workers and their families have been severely cut down. Moreover, the political environment does not allow for new federal policy prescriptions for critical areas like health insurance or plant closings. The current Administration is much more ideological than most people believe, and its ability to change direction in reaction to public pressure may be much more constrained, even in an economic crisis.

"As far as deregulation is concerned, I don't foresee trucking deregulation being reversed. Deregulation's effect on collective bargaining is already evident. Scores of companies have gone bankrupt, while thousands of truckers have been laid off. The situation has become so chaotic that the Teamsters have agreed to reopen the agreement."

Unemployment Increases Pressure for Protection

All of the panel members expected increased pressure on the Reagan Administration to restrict free trade. Pairing with Mr. Wynn's comment above, Mr. Lewin thought that the conservative, free-market ideology of the Administration will prevail over political considerations:

"I expect to see some increases in calls for protection from import competition in 1982. But I do not believe that these efforts will result in new import quotas or tariffs. Currently, we are in a period in which various policies are being directed toward expanding and opening market forces, not toward restricting or closing them. Since protection from imports is a euphemism for higher domestic prices and reduced supply, I cannot envision new 'protections' (of the producer!) being enacted in 1982. Certain employers and unionists may call for such protections, but they won't get them."

The day that the Labor Outlook panel met, the Secretary of Commerce was announcing to steel industry executives that the Administration would impose new duties on French, Belgian, Brazilian, Rumanian and South African steel. This Administration action suggests that government policy has become protection oriented, at least with respect to steel. Mr. Neylan expected this turn of events:

"Since 1962, when the Trade Expansion Act became law, Trade Adjustment Assistance benefits have been used to offset organized efforts to raise tariff barriers, or otherwise limit imports. Benefits in the millions of dollars have been paid to workers in the footwear, steel, auto and textile industries, among others, as the price of free trade. During the past two years, attitudes have begun to change. The UAW, long a free-trade supporter, has been campaigning against Japanese imports since 1979 and is presently lobbying for a new law that would specify North American content in cars sold here. AFL-CIO President Lane Kirkland, in testimony before a Senate Committee last July, committed the AFL-CIO to a lobbying effort directed at GATT (General Agreement on Tariff and Trade) which would link imports to higher pay and improved working conditions in the developing exporting countries. Union- sponsored efforts will accelerate in light of the Administration's budget cutting, which will reduce Trade Adjustment benefits in 1982 and thereafter.

"Unions are being joined by industry—specifically steel, which threatens anti-dumping suits. In the renegotiation of the Multifiber Arrangement (MFA), the American Textile industry wil seek restrictions on imports to protect its own strong export position. Ironically, while our steel industry threatens anti-dumping suits against European steel producers, the U.S. textile industry may well face similar actions in Europe to which textile imports increased almost 20 percent last year.

"It has been said that free trade is now in greater danger than at any time since World War II. According to the GATT, the growth of international trade has stopped and it does not appear that most countries will experience a substantial recovery in 1982. It is axiomatic that when economies falter, governments protect jobs at home. The most likely industries to be protected, whether by tariffs or negotiated restraints, are steel, auto, fiber-textile, and petrochemicals. I note that even rabbit-meat processors are lobbying to restrict the import of frozen rabbit meat from China."

JOHN RAMSER
Vice President
Koppers Company, Inc.
Pittsburgh, Pennsylvania

Mr. Ramser saw protectionism—whether from imports or domestic competition—as a consumer issue. Perhaps consumerism still lives, at least enough to stop any industry or union interest from enacting protective measures to promote employment.

> "I believe that 1982 will see some continued calls for protection from import competition. But with the very limited protection given to the auto and steel industries in recent years, with increased sophistication on the part of consumers that import restrictions cut two ways, and with the most vital sectors of our economy needing foreign trade to flourish, I believe that stiff import rules are not likely to be imposed.
>
> "Trucking deregulation will not be reversed; airline deregulation will not be reversed; and additional industries that have had governnment umbrellas excusing their members from competition may find those umbrellas folding up. Neither labor nor management wanted decontrol of the trucking industry or the airline industry—but it happened anyway."

Mr. Winpisinger added that protected industries are drained of competitive vigor. Since we must be pushing to increase the vitality of U.S. businesses, he was particularly disturbed when unions are "led down the garden path" of protection. Yet, coming from a conglomerate union with members in a wide variety of industries, this is easier for him to maintain than for a one-industry union leader such as the Auto Workers' president.

Mr. Reed covered the underlying themes in the protection discussion—and then raised a new concern.

> "The success of these calls for protection will depend directly upon the state of the economy and level of unemployment generally as well as on the state of the particular industry, the number of workers dependent upon it, and its political constituency. Despite the Administration's commitment to free trade, it is highly probable that there will be some 'gives.' These are liable to take various forms. For example, the agreement on level of auto imports was reached through negotiation by the United States and Japan rather than by Congress legislating protection through tariff barriers or restrictions. Certain farm products continue to receive price supports, and so on.
>
> "One major issue receiving increasing attention from the Administration is the reverse of the export of manufacturing jobs: the growing trend among foreign firms to buy or merge with American companies, and to build their own manufacturing facilities in the United States. This is happening more and more in the auto industry and in such high-technology industries as television and stereo component manufacturing. American jobs are not lost. However, foreign competition and the export of capital acquire a new complexity."

"Social Safety Net" Government Programs

A number of government policies that are considered part of the "social safety net" (or public social welfare functions) also intervene in free labor-market operation. Unemployment insurance qualification, amounts, duration of entitlement, and requirements for job search—all affect labor-market operation and the mobility of labor. In 1982, job seekers may have to lower their wage expectations, search extensively in other industries and geographic areas, and learn some different skills. Mr. Neylan described some of the public policy pressures that will develop:

> "The changes we have seen in industry during the past several years will continue in 1982, and beyond. Assets will continue to be redeployed as managers sell off or close units which do not provide adequate returns.
>
> "This process of change is exposing problems in our society which few managers ever recognized in the past. Where a plant is sold, the employees have a new opportunity to succeed—frequently under more sensitive management. Shutdowns, however, raise problems that are going to be increasingly difficult to address if the present trend toward conservatism and fiscal restraint continues.
>
> "Blue collar employees have never been mobile even when transfer opportunities are presented.[1] There have been references to the effect that Ohio steel workers offered jobs elsewhere refuse transfer; rubber workers eligible for transfer to other plants under their labor contract are unwilling to move. The few that do accept transfer frequently return to their home cities. The growing evidence of immobility is already intensifying arguments for a national welfare system, to even out the variations in benefit programs which play a significant role in workers' decisions. During the past several years, unemployment has run at higher levels than we were accustomed to during the 1960's and 1970's. The burden of providing benefits has been borne by the states with federal assistance.
>
> "In 1982 and the years that follow, we will find ourselves on a collision course, caught between the need to provide solutions to our employment problems and the need to reduce spending and live within our means. Labor unions can be expected to generate pressures for increased unemployment compensation, both in amount and the period such benefits are paid. This pressure will be at both the state and federal level. Furthermore, there will not be strong opposition by the business community to those increases.
>
> "While job training programs are a popular remedial notion, I doubt whether the economic situation will produce a substantial increase in training programs because of the cost and the historic lack of success of these efforts.
>
> "Plant closing legislation is favored by unions, and has support with Democrats in both House and Senate, but I do not believe that the votes are there to support limitations on the 'right' of plant closure or removal. In the final analysis, Congress will be looking at a large number of

[1] See, for example, Audrey Freedman, "Plant Closed—No Jobs," *Across the Board*, The Conference Board, August, 1980.

social programs which must be funded, and I believe that the majority of the members of Congress will assume that private industry and labor unions will find the solutions to assisting those out of work due to plant closings."

Mr. Irwin did not expect an impact on Administration policy:

"In 1982 unemployment will continue to rise and there may be a reduction from two wage and salary earners to one—the other drawing unemployment insurance. The economic impact may not be as drastic as some have forecast, although I recognize that certain industries and regions will be affected more than others."

Most of the panel members, however, foresaw growing conflict and pressure upon the government to increase and expand—rather than to cut back—its social welfare role. Mr. Read commented:

"As industrial contraction and restructuring continues, conflict is most likely to increase over the "plant closing" issue. Labor will take strong positions on measures to provide job security for its members. Emphasis will be aimed at minimizing the impact of plant closures on workers, as well as on more intense lobbying for restrictive legislation designed to protect existing jobs and reduce management flexibility in this area.

"The increase in unemployment will bring additional pressures for further expansion of unemployment insurance. Conflict in this area could be substantial in view of the present Administration's determination to cut back on entitlement programs. Attempts to expand unemployment insurance benefits will create direct confrontation with the Administration's objectives."

Certainly, the fiscal stringency required to hold the budget within credible distances of "balance" is threatened by a growing social expenditure. Mr. Carlough appeared to be advocating a return to a government role of a scale last discussed twenty years ago.

"The mechanisms we have in this country to move workers out of declining industries into growing ones are extremely poor even in the best of times. When the effects of a recession are regionally concentrated, and also concentrated in certain industries, one has to assume both migration and occupational change if one is to expect the readjustment and reabsorption measures to have a mitigating effect. The evidence suggests that this is an unrealistic expectation.

"There is considerable misunderstanding about the mobility of the population of the United States. Over the last decade we have indeed seen a large net migration in which the Northeast and North Central regions have lost approximately 4.5 million people to the South and West. But the movement has not been broadly based across population or occupational groups. Research has shown that it was the well-educated, professional people who migrated. And the age of greatest migration was 23, steadily declining with age thereafter. The workers who are likely to be most hurt by a recession do not fit the pattern of the migrator. They are less educated and largely older, with the type of family responsibilities that have been shown to inhibit migration. And it hardly needs to be said, that, with interest rates what they are, anyone with a house would neither be able to sell it in a declining area nor afford to buy a new one in a growing area.

"This country falls far short of having adequate adjustment mechanisms even during periods of economic growth. We have no structures to assist the mobility of those who are unlikely or unable to move on their own from labor surplus to labor shortage areas. The history of efforts to assist the process of occupational change through training has been spotty, subject to use as a political football. What does exist has been cut, in the name of a balanced budget.

"There are public and private policies that could improve the physical and occupational mobility of the work force. They come under the heading of a comprehensive adjustment policy. Very briefly, they include liberalized severance pay and early retirement; continuation of life and medical insurance for workers who are laid off or whose plant has closed—or, even better, a national health insurance scheme so that this extremely serious problem would not arise; counseling; realistic retraining programs; financial assistance for relocation; and some specific liberalizations of unemployment insurance laws. The exact division of the responsibility for these various measures between government and industry is a subject on which reasonable people may differ. But the need for such a national policy is critical to the development of increased flexibility in the adjustment of the economy to both cyclical and secular trends.

Mr. Reed described some responsive shift in emphasis that he felt is already taking place:

"Both the private and public sectors will have to put renewed emphasis on retraining the displaced. This is becoming critically important, given the shift from basic to high-technology industries. Companies must become even more sensitive to the effects of technological change and job and geographical shifts. Companies are, of course, showing a greater awareness of this, in part by locating plants and offices near skilled work forces. And they are taking economic and competitive considerations into greater account when changes are being planned.

"Unemployment benefits and job-security issues are likely to heat up as unemployment becomes a much more important concern than inflation for an increasingly larger number of people. In particular, pressure is likely to build to restore unemployment insurance benefits to the extended 39-week period. Also, the deepening industrial contraction and resulting pressure to shut down aging facilities will accelerate public support for congressional consideration of 'plant closing' remedies. Overall, public support for budget cuts in social and welfare programs will

substantially weaken and be replaced by pressure to restore funds previously cut in these areas.

"As the pace of economic recovery speeds up in the second half of 1982, however, these pressures should start to ease, and concerns about fiscal restraint are likely to begin to build once more."

Wage Fixing, Construction-style

Davis-Bacon legislation, which regulates the wage rates that must be paid by contractors on federal construction projects, was discussed without resolution by the panel. Mr. Read described the current proposal to change the administration of Davis-Bacon wage determinations:

"At no time in the past 50 years has the labor movement been faced with the pressure it does today for changes in the Davis-Bacon Act. There is no argument over the original intent of the Davis-Bacon Act, which was to prevent a migratory construction work force from undercutting local wage rates during a severe depression. However, in the current time frame and the manner in which the Act has been administered, Davis-Bacon demands some revision to fit the realities and needs of the construction industry as it exists today.

"The most significant change proposed by the Administration is a modification of the current 'prevailing wage' rule on federal projects. Currently the 'prevailing wage' is essentially that representative of unionized scales, regardless of other established rates. If the change is adopted, the 'prevailing rate' would be that paid to a majority of workers in a given classification or the average rate, if no single rate is paid to a majority. In addition, the Administration proposes a strict prohibition against the use of wage data for a metropolitan area in determining the prevailing rate for a rural area."

Mr. Lewin suggested that some reduction in fixed wages would reduce construction unemployment:

"Downward revisions in prevailing rate determinations under Davis-Bacon could bring about an increased demand for construction and an increase in the derived demand for construction labor. Further, such revisions should serve to raise the union share of the construction market slightly as they bring unionized wage rates down closer to nonunion wage rates in this industry. (However, since a major issue in Davis-Bacon type prevailing rate determinants is the extension of wage rates in the unionized construction sector in large urban areas to the unionized construction sector in smaller urban and nonurban areas, the impact of revisions on differences in wage rates between the union and *non*union portions of the construction industry may be quite small—as would be the impact on the union and nonunion shares of the market.)

"The total picture is one of an industry—or, rather, the unionized sector of an industry—that is depressed, and in which the institutions of wage determination are and will be adjusted to bring about wage rates and wage patterns that are more consistent with the economics of the industry than they have been heretofore."

Mr. Neylan, also, predicted improved employment opportunities:

"In areas where federal projects predominate, the effect would be more dramatic as nonunion companies enter the competition for work. The supply of labor would increase as individual workers, particularly minorities, find greater opportunity in the open-shop environment.

"Outside the orbit of Davis-Bacon, these phenomena are already occurring. Open-shop companies are seizing a greater share of heavy construction, particularly in the South and Southwest where growth rates are highest. Exxon has awarded a large synfuels contract to an open-shop company in the Rocky Mountain area strictly on the basis of cost, and predictably more such awards will be made in the future. It seems to be a fact that the rates paid by open-shop companies do not differ materially from union construction rates. They may even be higher in some instances, with the cost differential being made up by the flexibility that features open-shop construction."

Minimum Wage

The panel did not foresee any pressure to increase the minimum wage—nor any action to repeal the Fair Labor Standards Act as an impediment to full employment. Its disemployment effects could fade as inflation "lowers" the minimum wage relative to the average market rate. Mr. Lewin observed:

"Historically, the minimum wage has approximated 45 percent of the straight-time manufacturing wage, though this relationship has fluctuated considerably. The current minimum of $3.35 per hour, which went into effect in January, 1981, as the last phase of the 1977 amendments to the Fair Labor Standards Act (FLSA), is 42 percent of the approximately $8.00 per hour manufacturing wage that prevailed in the United States in the early fall of 1981.

"Much has been made about the disemployment effects of minimum wage legislation since the FLSA was enacted, and the fact of controversy about the magnitude of these effects is the one constant in this area. Various economists have found that the duration of unemployment is lengthened by minimum wage legislation. In my judgment, studies attesting to the negative effects of minimum wage legislation on resource allocation in the economy have contributed to a climate in which political support for further increases in the minimum is at a low ebb.

"As to the establishment of a two-tier structure of minimum wages, this might be a more plausible and likely action in 1982-1983 if the proportion of younger workers in the work force were growing, or even stable. However, it is declining, and will do so particularly rapidly in the 1980's. Therefore, the problem underlying proposals for a two-tier minimum wage is, in a sense, being outgrown. Thus, I see very little prospect of a two-tier minimum wage being enacted in the United States—in the short run and beyond."

Mr. Irwin disagreed on this last point, emphasizing the effect of unemployment on public policy:

> "There will be greater political support for a two-tier minimum wage, especially with increasing youth unemployment. Indexing the minimum wage will not be achieved; indexing in general will be in disfavor."

Mr. Neylan noted the union attitude on unemployment and the minimum:

> "Unions continue to view it as the ultimate 'safety net,' ignoring the evidence that it contributes to unemployment particularly among minority youth."

Mr. Wynn—whose union has a lot of members in food, service and retail industries at the low end of the wage scale—offered these predictions:

> "We do not expect proposals for a two-tier minimum wage to attract more political support. But we do foresee increases in, and possibly the indexation of, minimum wage in the future."

And Mr. Winpisinger added:

> "Proposals to index the minimum wage may gain support, depending on how successful the AFL-CIO is in gaining influence in the Democratic Party."

Throughout the day's discussion, one theme kept recurring: Firms are seeking lower labor costs outright. Companies are putting new plant and new technology into low-wage and nonunion areas. Their competitors are doing the same. So, where wage rates are fixed by union contract, employers are making moves to escape: renegotiate; move to another plant and close the unionized facility; move production overseas; employ foreign labor here. The only strategy for reducing input of high-cost labor that was *not* mentioned was new investment in labor-saving technology. Interest costs seem to be discouraging that response—even though recent tax changes were meant to create incentives for investment in new capital equipment.

Escaping high wage costs may be linked to immigration policy. "Illegal" immigration is aimed at the target of our labor market: Aliens come here seeking work. Because they are eager for employment and strongly motivated, and because they are in the shadow of being "undocumented" and are therefore deportable, such workers are glad to accept employment at relatively low pay—perhaps below the minimum wage—and "substandard" conditions.

Immigration Policy

The Reagan Administration has made two proposals with regard to immigration. Both of them are labor-market linked. First, the Administration understands that "border control" means employment control. It proposes to prosecute employers of undocumented aliens. This transfers a good deal of border patrolling to the personnel office. It also requires some system of identification for all workers (including U.S. citizens), so as to separate the undocumented from the whole group of job seekers. Second, the Administration proposes a guest-worker program of permitted temporary immigration for specific limited employments, such as harvesting.

The panel members did not think that the Administration's proposals would pass, though union leaders found some virtue in regulating immigration. Mr. Winpisinger said:

> "Illegal immigration has the same effect on our economy as high unemployment rates: It encourages abuse and exploitation of the most vulnerable workers, depresses wage gains, and sustains management inefficiency.
>
> "The IAM, together with the AFL-CIO, strongly supports immigration legislation that tightens eligibility standards for the granting of asylum and that significantly penalizes employers and labor contractors who employ undocumented workers. Not all the proposed legislation requires identity cards. A bill introduced by Sen. Huddleston (D-Ky.) provides for a beefed-up system of verifying Social Security numbers, which would not create any additional burden for ordinary workers but would increase employers' responsibility to hire citizens and resident aliens first.
>
> "Needless to say, a guest-worker program is totally inappropriate to an economy with an 8 percent unemployment rate, and with unemployment rates at double-digits for that segment of the population that most frequently would be in competition with any such guest workers—that is, minorities and youth."

Mr. Wynn, speaking from the experience of a food industry unionist, was also in favor of restricted access to U.S. labor markets—and opposed guest-worker programs:

> "We sense that it is very likely that legislation penalizing employers of illegal aliens will be passed. The U.S. labor movement is united on this particular issue. At the same time, proposals for a guest-worker program and a sinister system of employee identification would greatly alter the supply and demand mechanisms of the free labor market. The program would, in fact, represent a new subsidy for employers. The government would import workers and thereby depress wages and working conditions. The result would be that the weakest portion of the population would have to pay the cost of this employer subsidy."

Mr. Lewin suggested that no governmental action will be taken—but then he hedged on labor-market "conflict":

> "Estimates of the size of the illegal alien work force in the United States run as high as eight million, and a 'penal-

ty system' would affect a large number of employers. Moreover, the idea of penalizing an employer (or an employee) who is a party to a more or less voluntary labor-market transaction seems ill-founded and unlikely to deal effectively with the underlying problem. Further, despite the Administration's and the AFL-CIO's position on this issue, there does not appear to be widespread support for legislation imposing financial penalties on the employers of undocumented aliens. On the contrary, most of the Congress is opposed to this idea as, of course, are most employers.

"Should unemployment in the United States approach or exceed 8 percent in 1982, however, conflict between illegals and other workers (not to mention employers) is likely to be exacerbated."

A sense of social movement pervaded Mr. Ramser's comments:

"The influx of illegal immigration has encouraged a movement of industry to the western sun-belt states and has helped moderate the increases in the cost of food (except for meat and grains). Despite many 'humanitarian' voices of concern, I believe there is recognition that aliens are willing to risk a great deal, including their lives in some cases, to get here to America, simply because wages and working conditions—no matter how bad—are better than in the countries they flee.

"I do not expect that legislation will be passed that penalizes employers of undocumented aliens. Americans grumbled at the introduction of zip codes in an era when they were law-abiding and peaceful. I don't foresee them accepting a national system of identification which would be enforceable against aliens—particularly when the tide on government controls is running in the other direction."

Major Collective Bargaining Events in 1982

Not very long ago, the headline power of auto bargaining was enough to make it "the beginning of the three-year cycle of heavy negotiations." There were those who disagreed: no, steel negotiations were the fountainhead. And then, with the tailoring of President Carter's voluntary controls to fit around the framework of the Teamster settlement, the trucking negotiations became a pattern-maker of sorts.

The power of each of these three leading bargains is gone. As each industry—autos, steel and trucking—meets with a new competitive situation, it is reshaped by new sets of market forces that once were alien. This is particularly true of wage bargaining. Consequently, it is necessary to examine the effects of unavoidable market pressures on pattern bargaining. Three themes emerge in this examination. Greatly oversimplified, they are:

(1) The trucking, auto and steel bargains will be very "moderate," setting an example for other union negotiations.

(2) Their leading role will be forfeited, but picked up by defense aerospace.

(3) The whole idea of wage leadership, modeling and patterning will disappear as *fragmentation occurs—to the individual company and plant level.*

During the panel discussion on 1982 bargaining, it seemed that—although everyone agreed that a major change is taking place—the only way to analyze the change will be to look back upon it three years hence. Certainly the established, "settled," "mature" relationships that had developed over decades are now in flux. Mr. Neylan described the change:

"Pattern bargaining in auto, steel, farm equipment, and transportation has been a way of life since the 1940's, when the industrial union became a meaningful influence on bargaining. Both auto and steel had monopoly positions in the sense that they did not have serious foreign competition. Because of their protected markets, none of the principal companies was concerned about inflationary labor settlements. They simply passed on increases to the customer and, it is said, even made money on the increases by using a percentage pricing formula. Now, our high labor costs (without compensating productivity increases) are pricing both U.S. cars and steel out of world markets. The consequences, at least in part, are large numbers of laid-off employees and substantially lower profits—or no profits."

Mr. Read underscored the reasons for pattern breakup, and described the modest variations in 1980 metals patterns:

"There is ample evidence that deviations from pattern bargaining have been taking place over the last several years. These deviations fell into two categories: those negotiated at contract termination, and those negotiated during the agreement in hardship situations. There is a very strong likelihood that these deviations will substantially increase in the next two years. Among those industries which appear to be most susceptible are: steel, aluminum, copper, auto, rubber and agricultural machinery.

"Companies will bargain harder to highlight the differences in product mix and other competitive differences in justifying the deviation from established industry patterns. The past automatic extension of major pattern settlements in major industries to different product lines and market conditions will become less applicable.

"Pattern bargaining, which had been traditional in the metals industries, steel, aluminum and copper, did not hold up in 1980. The basic steel settlement provided for diversion of 33¢ in COLA to pay for pension improvements, and the COLA formula remained at .3 = 1¢ (providing a cost-of-living payment of 1 cent per hour for each increase of .3 in the Consumer Price Index). The *aluminum* industry followed with a wage settlement iden-

tical with steel, but deviated in three major areas. COLA was increased in the third year of the agreement to .26 = 1¢, and there was no COLA diversion for benefits improvements. For certain noncompetitive aluminum fabricating plants the wage settlement was lower. The *copper* industry, next in line in the metals industry pattern bargaining, reached a settlement that placed it approximately midway between steel and aluminum. Wage increases were identical with the pattern, but there was no diversion of COLA to pay for pension improvements, and copper did not move to the .26 = 1¢ COLA formula. In a number of instances over the past several years, companies have taken strikes, particularly in aluminum and brass fabrication, in order to avoid basic-industry pattern settlements, which in the past imposed noncompetitive conditions. Management in these cases recognized that market conditions could no longer be ignored and took a firm stand against pattern bargaining. Also, in 1980 petroleum industry bargaining, marketing—which traditionally had followed the manufacturing wage pattern—negotiated lower settlements.

"A second aspect of deviations from pattern bargaining has developed during the past two years with interim modifications occurring during the term of those agreements that originally had been based upon patterns. Chrysler is a prime example. Wheeling-Pittsburgh Steel Corporation obtained a deviation from the basic steel settlement by deferring two COLA payments and the $150 bonus, and has just removed itself from the 10-company bargaining group. Workers at two U.S. steel fabricating plants agreed to take a three-year wage freeze and also to drop out of the basic steel pact. American Motors negotiated a settlement with the UAW in 1980 which did not follow the "big three" auto pattern by obtaining a more favorable form of diversion of COLA to cover fringe benefits costs. The UAW also granted concessions to Massey-Ferguson, departing from the pattern in the agricultural implement industry. These allow the company to pay a reduced pension and to delay payment of COLA increases and annual wage increases. Several airlines have recently obtained special wage consideration."

Mr. Reed said that settlements will be moderate, but seems to feel that fragmentation and individuation to the plant level is not developing:

> "The 1982 round of bargaining will include many of the major industries that have been the significant pattern setters not only for their own but for related industries and for the level of most subsequent settlements. They are, of course, auto, trucking, electrical and rubber. Some of these industries have major problems—auto and rubber due to foreign competition and trucking due to deregulation. High wage and benefit settlements in next year's round would be in neither union nor industry interest. The question is whether pattern bargaining will be abandoned by either party or both. It is likely that 1982 will be the time for *more responsible patterns,* along with a continuation of still lower settlements for those companies or factories in serious difficulty.
>
> "Employees in those industries that have problems increasingly recognize that more moderate settlements are necessary to preserve jobs and contribute to their companies' economic health. Because of this, union members will exert less pressure on their leaderships to hold out for settlements that outpace other agreements or break the industry patterns."

Mr. Winpisinger acknowledged that wage leadership is a thing of the past in auto and steel. But, he said, defense contracts will fatten the aerospace industry. The two unions in aerospace (Autoworkers and Machinists) that "used to lead off auto" will now switch that patterning relationship:

> "Within our jurisdiction and experience, patterning is likely to be sustained most strongly in aerospace. With the largesse of the Reagan defense program clear to all, defense contractors will certainly not be able to plead poverty. And there is enormous potential for extending the patterns set with prime contractors throughout the subcontractor network."

Mr. Reed pointed out that the bargaining sequence puts aerospace *after* auto, agricultural equipment, steel and other metals (see Table 2). Mr. Carlough and Mr. Ramser agreed that pattern bargaining will continue, for reasons that might be characterized as "inertial." In Mr. Ramser's words:

> "Although I believe that pattern bargaining will continue to diminish in scope, I doubt that there will be any massive distintegration of it. The example of Wheeling Steel is likely to be repeated in some isolated cases, but the overall pattern in industries which have patterns will continue. The forces which led to the current situation are likely to continue—that is—the desire of labor leaders to consolidate their power and the desire of corporate leaders to be no worse off in wage costs than their competitors. The examples of the coal, auto, steel and construction industries point in my mind to an almost blind obsession with continuing the status quo."

And Mr. Carlough added:

> "The fact that bargaining in 1982 may be exceedingly difficult, and that 'give backs' have become part of the 1981 landscape, does not mean that pattern bargaining will disappear or that companywide and/or industrywide settlements will break up. Such speculation strikes me as a bit more than premature. The basic reasons that impelled management and unions in the past to move toward industrywide and/or companywide bargaining have not disappeared. Such bargaining held together in bygone periods even when individual establishments suffered economic difficulties—and even when some were forced to close because of those difficulties.
>
> "I'm inclined to think that, while the 1982 settlements may be more modest than they have been in recent years, pattern bargaining will still exert considerable influence on

Table 2: Selected Major Contract Expirations by Industry[1]

	1982	1983	1984
January	Furniture (Jan. - Nov.) Oil	Sugar	Food processing (cereals, bakeries; (Jan. - Oct.)
February	Hospitals (March, May, July, Dec.) Food processing (canneries, packers, frozen & dried foods) (Feb. - July)	Tobacco	Metal containers
March	Trucking Local Delivery and Parcel Men's clothing (March, Aug., Oct.) Chemicals (March - Nov.)	Glass (March - Sept.)	Paper (Western states)
April	Rubber	Textile	
May	Paper (May - July) Textile Women's clothing (May - Sept.)	Aluminum Paper (May - July) Lumber	Cement
June	Electric equipment (June - Oct.)	Copper Shipbuilding and repair (Pac. Coast)	Maritime (Deep Sea) transportation Class I Railroads
July		State of Illinois	California Food Retailers Longshore (West Coast)
August	Meatpacking	Steel Communications Equipment Telephone Service	
September	Auto Agricultural, Construction, and Mining Equipment	Longshore (East and Gulf Coasts)	Coal Mining
October		Aerospace	
November			
December	Tobacco		

[1]In each year, large numbers of construction contracts expire in May and June; the industry is omitted from this table. Utility contracts covering state and localized electric and gas distribution companies are widely scattered throughout 1982, 1983, and 1984 and are, therefore, also omitted from this calendar.

those situations where such bargaining has been influential in the past."

Trucking

Panel members expected National Master Freight bargaining, already in progress, to produce a very moderate settlement. Here, deviations and side agreements outside the master contract are already taking place. The Teamsters union estimates that 20 percent of its driver members have been laid off. Union bargainers are striving to maintain what they had in previous contracts: COLA and pension, health and welfare trust contributions by employers. Individual company concession bargaining, and fragmentation of master and regional "conference" agreements, increasingly seem possible.

Rubber

A greatly shrunken union and industry are bargaining in terms that unions once called "give backs." In many companies, individual plants have already broken out of the companywide "master" contract—on wages and COLA, penalties for weekend work, job redesign, and the duration of the contract itself. Several panel members expected further reductions in COLA coverage, or diversion of COLA-generated amounts "to pay for the increased cost of benefits." Plant closing benefits may be an issue (the major rubber contracts already contain 6 months' prior notice), even though the major wave of industry contraction is probably completed. One panel member simply listed "give backs on COLA, Supplemental Unemployment Benefits, and work rules," while others referred to job protection and security bargaining.

Electrical

In the General Electric and Westinghouse bargains, panel members expected a good deal of focus on COLA. Some foresaw diversion of COLA amounts to "pay" for benefits; some expected restrictions on COLA or a direct

"buy out." Three panel members thought that there is at least a one-in-four chance of strike.

Auto

Job-security bargaining is the phrase applied most often here. Panel members discussed what the term "security bargaining" really means (since the auto industry devised what was held, until recently, to be a model solution).[2] Finally, one union president said: "Security bargaining is the term you use when you are trying to explain to the members that they will have to take a wage cut."

The term "adversity bargaining" might be more apt. Panel members offered some specifics: "new caps on COLA, less frequent payouts, new authority for suspension in local plants." Another said broadly: "give backs in SUB, COLA, pensions and work rules; cost sharing, automation." A break between General Motors and Ford seems possible; Chrysler and American Motors are already out of pattern. The possibility of individual plant breakouts, particularly at Ford, is growing.

Agricultural Machinery

This bargaining once followed the auto bargain closely. Now, according to the panel members, pattern breakup is "almost inevitable." One commented: "Caterpillar and Deere will probably follow auto, but the other three may insist on their own settlement." International Harvester is expected to get major concessions from the union. The variations in company strength and viability in this industry are as great as among automobile companies—but union responsiveness to company weakness may be "too late" for parts of each industry.

Construction

Several panel members expected negotiated wage increases to be lower in 1982 than they were in 1981. This year's major bargains produced a first-year wage increase of 13.9 percent.[3] Mr. Reed thought that construction wage pressure is most influenced by inflation rates, so it will decrease significantly in 1982:

> "The construction industry certainly has some weak spots at this time, particularly in identifiable trades and geographic locations; housing and highway construction are soft due to high interest rates on mortages and the cutback in federal highway funding. But most other construction lines are healthy, and in some parts of the United States there are shortages of skills in a number of the trades. There is evidence that the current weak spots in housing and highways will show some strength by the second quarter of 1982.
>
> "Bargained wage increases in the construction industry have not been significantly influenced by cyclical or temporary abundances in the labor supply, the overall level of construction activity, or the wage increases bargained by nonconstruction pattern setters. The major contributors to the level of construction wage increases have been inflation and the give-and-take at the bargaining table.
>
> "Current projections of the rise in the Consumer Price Index in 1982 are in the range of 7 to 8 percent. With such a substantial decrease in inflation from the 10 to 11 percent rate of the past few years, we should see a significant reduction in the current rate of wage increase bargained in construction. Failure to reflect the decrease in inflation adequately through modest wage settlements will certainly give further impetus and strength to the nonunionized or open sector of the construction industry and encourage general deferrals, cancellations or reductions in the expenditure of construction dollars, resulting in further underuse of the unionized building trades."

Mr. Ramser offered a wry observation to the effect that the industry does not respond to market cues:

> "The construction industry seems to have quite a few people who don't read the newspapers. In addition, they don't have Japanese workers to compete with. Interest rates that exceed the historical 3 percent real rate of return by a good margin tend to sap the will of financiers and owners, who might otherwise be willing to resist demands of construction workers. Consequently, I believe construction wage increases will continue to outpace nonconstruction rates—with the result that union construction will have a decreasing share of the overall market.
>
> "As for the effects of Davis-Bacon on wage rates, I suspect that the administrative revisions will have some moderating influence, but perhaps not as much as the supporters desire. The same complex of laws, vested interests, and unequal bargaining positions will cause the parties to continue on their present path as surely as the lemmings march to the sea."

Mr. Lewin disagreed, predicting wage restraint under work-expansion rubrics:

> "The rate of wage increase in the unionized construction sector is at its highest level in 10 years. If we look back to the 1969-1971 period, when annual rates of wage increases in this sector were consistently of the double-digit type, we can recognize that this was a major factor in the subsequent entry and expansion of nonunion establishments into the construction industry. The unionized sector found it increasingly difficult to compete with a lower cost nonunion sector. Consequently, the pace of wage increases in unionized construction slowed considerably in the 1970's, with no single year of double-digit increases recorded

[2]Audrey Freedman, *Security Bargains Reconsidered: SUB, Severance Pay, Guaranteed Work*. The Conference Board, Report No. 736, 1978.

[3]Bargains reported to the Bureau of Labor Statistics in the first nine months of 1981.

between 1972 and 1980. Even so, nonunion construction continued to expand as a portion of the total construction industry throughout the 1970's, and the severe unemployment that characterized most building trades unions at the start of the decade moderated only slightly by the end of the decade.

"Abstracting from this experience and moving to the current and near-term future periods, I anticipate some reduction of rates of wage increase in the unionized construction sector in 1982—from about 12 percent currently, on average, to around 9.5 percent, on average, in 1982. The bases for this forecast are (1) a stiffer bargaining stance on the part of unionized construction firms as their portion of the total construction industry continues to decline; (2) relatively more union emphasis on the reduction of unemployment and the spreading of work opportunities and relatively less on pay increases; and (3) a 'tight money' policy on the part of the Federal Reserve Bank, with consequent upward pressure on interest rates and a concomitant reduction in the rate of growth of the construction industry, especially the unionized portion of the industry.

"There are several examples of local building trade unions that have recently agreed to absolute wage reductions in efforts to increase their members' employment and to keep certain employers in business. These may be regarded as a precursor of a more general trend toward the moderation of rates of pay increase in construction industry bargaining. It is typically the case that labor and management in depressed industries respond to such a circumstance by emphasizing job security or work sharing, and by moderating rates of pay increase. This is what I expect will occur in the unionized portion of the construction industry in 1982."

Worker Participation

The term "productivity bargaining" started the discussion of worker participation on a somewhat sour note. Distinctions were made that are helpful in understanding current negotiating agendas. Mr. Lewin made some of them:

"If there is a notable growth in productivity bargaining, it has escaped my notice. Taken literally, the term "productivity bargaining" suggests that productivity is a leading standard of wage and nonwage determination in American collective bargaining, but this is not now true—and never has been, to my knowledge. Comparability and cost of living have been the leading criteria in bargaining in the United States. At the moment and for 1982, ability to pay seems to be gaining ground as a bargaining criterion. The same cannot be said of productivity.

"If productivity bargaining is taken to mean cooperative negotiations or labor-management cooperation, then it can be said that some increase has occurred, though this is difficult to document on an aggregate basis. The joint committee is perhaps the most concrete and significant manifestation of labor-management cooperation in the unionized setting. Typically, these committees are established to deal with safety and health conditions, and, less often, with productivity, work practices, and work or job design. There are virtually no systematic evaluations of the work of these committees and, thus, no basis for knowing how effective they are.

"Quality circles exist in the unionized sector of the steel, chemical, oil, auto and electrical products industries. What these represent, in effect, is ongoing worker *consultation*. Thus, the quality circle may be more new form than new substance. But circles and other consultative devices are not necessarily the same thing as *participatory management*, when this is defined as representation in decision making.

"I see little evidence that managers in the unionized sector want workers to participate in decision making. Quite to the contrary, most managers in unionized firms seem to believe that organized workers have too much, rather than too little, participation. In the nonunion sector, it is no secret that quality circles and participative management are often used as union-avoidance devices—although this does not mean that they are valueless—and this may be what most distinguishes the nonunion from the union sector. In sum, quality circles and participative management exist in both the union and nonunion sectors, are probably spreading more rapidly in the latter sector, but, as practiced on the American scene, do not represent fundamental alterations of the structure of decision making in the firm."

Mr. Neylan distinguished union from nonunion situations, essentially on the basis of a preexisting receptivity to cooperation:

"Generally speaking, productivity programs are *difficult to start in union operations and tend to be less vigorous and far-reaching than in the nonunion environment*. The politics of the union environment alone are enough to stifle the most aggressive efforts at productivity improvement. In the nonunion arena you are free to lay your cards on the table with employees in such a way that they identify your problem as theirs. There is no third party to complicate the process. A management exposes its problems and develops solutions without having to contend with political considerations.

"The whole productivity thrust, whether you call it QWL, Quality Circles, or whatever, has its greatest application in the nonunion setting. It will develop further, produce more in material benefits, and contribute to the growing strength of the technologically advanced organizations where it has found its greatest acceptance."

There was disgreement on this point from other management members of the panel. Mr. Ramser saw cooperative techniques as giving new lines to the unions' institutional role:

"I have often wondered what, if any, is the role of labor organizations in our present economy. It is not difficult to see what their role was in the years preceding World War

II. But as wages and working conditions have dramatically improved, even labor leaders must wonder what they should be doing for an encore. I believe that quality circles and other similar techniques give the labor movement an opportunity to redefine their role in a way which most people would view as beneficial to our society. To the extent that labor and management identify common problems which both parties may have a hand in solving, the labor movement would have a new sense of purpose.

"There is not much difference between unionized and nonunion environments when measuring the problems or potential benefits of quality circles and incentive systems. In fact, a union environment may be better for introducing some of these devices: In that atmosphere there is, perhaps, greater security for the individual workers and, thereby, a greater willingness to consider new ideas once the need for change is perceived.

"If this effort is to be successful, I believe that the efforts of management and labor must be carried on in an atmosphere which differs from the traditional arm's-length adversarial bargaining relationship. There are some indications that the attention given to productivity by labor and management *is* occurring in a different climate—that there is less 'bargaining' and more 'cooperation.'

"In some cases there is studied indifference on the part of the unions to the quality circles and productivity schemes, but obviously even this is better than hostile opposition. Adversarial bargaining seems to work reasonably well in a rapidly growing environment, but cooperation is needed in a stagnant or shrinking environment."

Comments from union leaders were guarded, to say the least. Mr. Wynn's was negative.

"Personally, I do not believe there will be any significant growth in productivity bargaining until management is willing to offer unions total access to corporate information relevant to this problem. The unwillingness of employers to share information has been the major obstruction to union-management cooperation in regard to technological change in the retail food industry. In addition, the use of quality circles and participative management schemes has been, in our experience, an employer strategy to evade or circumvent union representation. Until U.S. managers accept unions as legitimate institutions, there will be no serious or meaningful cooperation."

Mr. Winpisinger was nearly as negative, on somewhat different grounds. He described how the suggestion to set up a worker consultation system is *itself* converted into an adversarial management "demand," and bargained over.

"From a recent survey we found that very few IAM locals have experience with quality circles. But when management does attempt to bring them in, the idea immediately becomes subject to the bargaining process. In many cases it quickly becomes apparent that this is yet another device for attempting to end-run union representatives and assert management control in a new and different guise. Workers spot this very quickly and the process usually falls apart. Quality circles also fail in those instances in which workers' views are shown to have little practical impact, for example, when a conflict arises between workers' concerns and company interest in short-run cost minimization—a typical experience when health and safety matters are concerned.

"We are beginning to get reports of management ceding greater worker control in certain aspects of their operation in nonunion plants, in order to keep the union out. We know of one case where the workers in the nonunion runaway shop (including undocumented alien workers) have the right to 'vote out' their foremen. This right has not been offered to our members at the unionized plant."

Mr. Carlough carefully specified some satisfactory kinds of cooperative and consultative systems. So long as they are steered by management toward solidifying the union's institutional presence as intermediary between employer and worker, they are acceptable to unions:

"From the union point of view, there are clear distinctions between the various types of programs under discussion. I can state unequivocally that American unions have no desire or intention of giving up the adversarial relationship that exists between them and management for the purposes of bargaining and grievance processing. Unions are also understandably wary of programs that might come under the headings of 'management flexibility' or 'work practices,' when that means a unilateral management right to breach the contract. That does not mean, however, that cooperation is precluded.

"Cooperative efforts must grow out of mutual trust on the part of workers and management of each other's motives, and out of mutual respect. If management has a hidden agenda of lessening the power of the union or circumventing the contract, that will not be lost on the workers, and conflict will inevitably arise. There is evidence from the study of a large number of such efforts that they work best where there has been a long-standing relationship between management and the union from which that trust can grow.

"While efforts in this area have some unique qualities in each plant or industry, the study of the experience in productivity-enhancing cooperation in the unionized sector has yielded a number of characteristics that are typical of successful programs:

(1) "Labor management committees are *not* a substitute for the adversary relationship in collective bargaining. The scope of joint responsibility in the committee must carefully avoid those issues that are properly the subject of bargaining or the grievance procedure.

(2) "Both parties must see positive benefits from participating in the joint committees. For employers this means greater productivity, including quality workmanship, less waste, better work organization,

and a motivated work force. For employees, this means a share in the productivity gains (through collective bargaining), more job security, and greater participation and satisfaction.

(3) "The union must be assured that the cooperation will not undermine its role as a strong and effective representative of the workers.

(4) "Management must be assured that the cooperation does not threaten its authority to effectively run the organization.

(5) "The workers must be assured that the cooperation will not result in increased production standards—an assurance against speedups—and that it will not threaten the security of their jobs. Productivity gains as a result of cooperation must not result in layoffs."

On the other hand, Mr. Reed suggested that unions should view worker participation as a useful realization of the old slogan "industrial democracy."

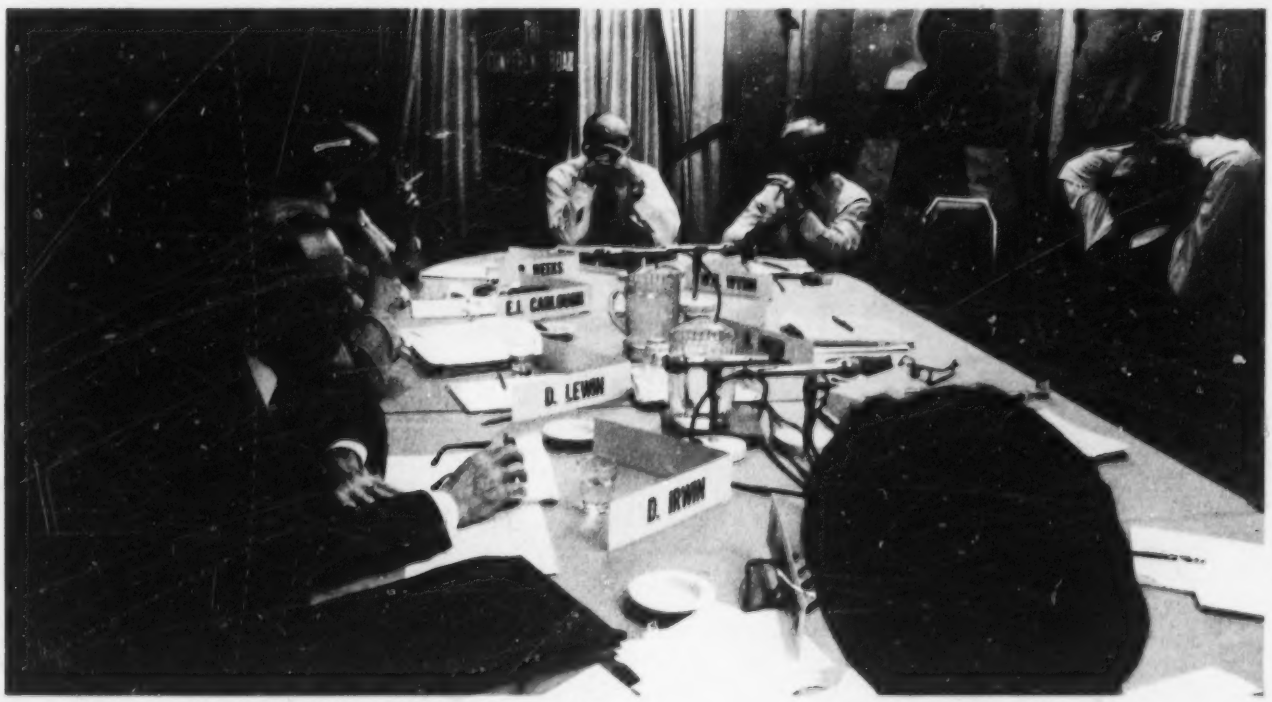
"The labor movement is at a crossroads in terms of new directions and objectives. It has been losing membership; very little organizing is being done; and there is greater management resistance. The labor movement is experiencing increasing mergers—a contracting, not an expanding, mode. It has lost its political clout to save old programs or to produce new ones. There are divisions within the labor movement between the haves and have nots; pro- versus anti-nuclear, prodefense versus propublic employment, and so on. Labor has failed to address the changing attitudes and needs of younger workers, women and minorities. In short, the labor movement is in disarray.

"It could very well be that there is a union opportunity and challenge in cooperative approaches. A beginning of this process could possibly be increased union emphasis on quality circles and similar techniques related to participatory management. Labor has the opportunity for expansion of industrial democracy in the quality-circle approach."

The subtitle of this *1982 Labor Outlook*, "The Brakes Are On," refers particularly to wage inflation and pressures for "more" in a no-growth economy. However, the brakes may also be "on" for the adversarial, full-tilt industrial warfare that has characterized some U.S. employee relations. A change in viewpoint on the part of management is summarized in this final comment by Mr. Neylan:

"The success of the quality-circle concept has nothing to do with money or wages. It says again that people prize participation at least as much as wages, and maybe more.

"Employers who realize the importance of communications and the open environment that it fosters will continue to pay lower wages than the highly structured unionized organizations which emphasize the adversary relationship between employees and management. Nonunion employers seize the opportunity to explain the fallacy of increasing labor costs without corresponding increases in productivity. Since the nonunion sector is not inhibited by long-term labor agreements, adjustments can be made as the situation changes—with ample time to sell, to explain the reasons to employees who are coming to realize that they are part of the decision-making process."



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